

THE GLOBAL TAX EXPENDITURES DATABASE (GTED)

PROGRESS REPORT 2026

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Executive Summary

Five years after the launch of the Global Tax Expenditures Database (GTED), the evidence available to scrutinise spending through the tax system has expanded substantially. Tax expenditures (TEs), including exemptions, deductions, credits and preferential rates, can serve legitimate public purposes, but their objectives alone do not justify their implementation, nor their continuation. This report takes stock of advances in reporting, evaluation and international cooperation, drawing on country experiences to examine how better information can support more effective, equitable and accountable policymaking in the field.

TE reporting has expanded, but coverage and quality remain uneven. The GTED now identifies 119 reporting jurisdictions, compared with 97 at its launch in June 2021. The latest GTED version (1.4.0) covers more than 28,500 individual TE provisions (over 35,000 records when aggregate estimates are also included) and over 157,000 revenue forgone observations, up from around 16,500 and 89,000 respectively. Most progress has come from middle-income countries. On the other hand, 99 jurisdictions have still never published an official TE report, while some reporting countries publish irregularly or have discontinued reporting. The latest version includes revised policy objective classifications, clearer source information and a new measure relating revenue forgone to collections from the corresponding tax, which improve the database's usability.

Reported fiscal costs are substantial, but require careful interpretation. Over 2020–2024, mean reported revenue forgone amounts to approximately 4.1 percent of GDP; the median is 3.1 percent of GDP, or 18 percent of tax revenue. Restricting the sample to countries whose latest reports cover all national taxes raises the mean to 4.8 percent of GDP and the median to 4.0 percent, but reduces coverage. Country-specific definitions of benchmarks and coverage, as well as heterogeneous reporting practices and estimation methods, limit comparability. Moreover, revenue forgone is a static estimate and should not be equated with the revenue gains a reform would generate: behavioural responses and interactions between provisions can change the outcome.

Partnerships are helping countries strengthen institutions and use evidence in reform. The Addis Tax Initiative (ATI), CEP and IDOS have combined regional workshops with a Community of Practice on TEs to sustain technical exchange and peer learning. Partner countries have introduced first reports, improved methodologies and established dedicated TE units. In Latin America and the Caribbean, ECLAC's regional workshops on TEs have broadened attention from fiscal costs of TEs to governance, evaluation and social and environmental objectives. These experiences demonstrate the value of sustained peer learning adapted to national circumstances.

The Coalition on Tax Expenditure Reform (COATE) seeks to translate political momentum and global consensus on the urgency of TE reform into workable national practices. Launched in Seville in 2025 by CEP, ICTD, IDOS, IISD and ODI Global, the Coalition is finalizing voluntary minimum reporting standards and a comprehensive online course on TE reform, both expected to be launched in 2027. The standards build on the Global Tax Expenditures Transparency Index (GTETI), linking regular and detailed disclosure tracked through reporting practices with accessibility, oversight and budget integration.

Complementary databases can improve the availability and usage of data, which is a vital input for TE evaluation and, ultimately, enhance evidence-based policymaking in the field. The OECD Investment Tax Incentives Database (ITID) maps the legal design, eligibility conditions and governance of targeted corporate income tax incentives in more than 70 mainly developing and emerging economies. Its findings show widespread reliance on tax exemptions, which tend to be less cost-effective than expenditure-based incentives, and fragmentation across laws that complicates scrutiny. Linking the ITID's design information with cost estimates gathered by the GTED could strengthen assessments of incentive effectiveness, efficiency and distributional effects.

Secure administrative data access is essential for meaningful evaluation. UNU-WIDER's partnerships in South Africa, Uganda and Zambia show how institutionalised data facilities, safeguards for taxpayer confidentiality and analytical capacity can support policy-relevant research. South African administrative data have informed reviews of retirement and R&D incentives. In Uganda, research on corporate tax holidays contributed to fiscal cost estimates and subsequent government cost-benefit analysis. Infrastructure and skills must develop together if evaluations are to become routine rather than exceptional.

Madagascar illustrates the shift from measuring costs to assessing public value. Better data and cooperation have strengthened reporting, while household microsimulation has exposed uneven benefits from selected VAT exemptions and reduced rates. A 2023 decree requires socio-economic justification before new tax and customs incentives are adopted, and monitoring to inform their continuation. Putting this framework into regular practice requires better outcome data, stronger coordination and evaluation capacity, with detailed reviews prioritising costly or consequential measures.

Indonesia demonstrates how regular reporting can become embedded in fiscal governance. Annual reports combine cooperation across Ministry of Finance units with parliamentary submission, audit scrutiny and standardised information on individual measures. Indonesia ranks first among 116 assessed countries in the most recent GTETI version (v. 2.1). Indonesia's TE reports increasingly communicate evaluations, with 21 studies summarised cumulatively so far. The next task is to strengthen the framework through which evidence informs the redesign, extension or termination of provisions.

The Netherlands shows both the strengths and limits of institutionalised evaluation. TEs are evaluated every four to seven years against a framework covering justification, instrument choice, effectiveness and cost-efficiency. Advance schedules and publication of findings support scrutiny, yet unfavourable evaluations do not automatically lead to reform. Decisions on reduced corporate income tax rates and small-brewery excise relief illustrate how political considerations affect follow-through. Broader reviews and recent proposals to abolish provisions show how evaluation can inform simplification and budget choices.

The next priority is to close the gap between disclosure and decision-making. Comprehensive, regular reporting should support a policy cycle connecting design and implementation with evaluation and reform. Governments need to assess who benefits, whether measures change behaviour and whether alternative instruments could achieve objectives more efficiently. Progress depends on reliable data, capable institutions and transparent political decision-making.

Introduction

Agustin Redonda and Christian von Haldenwang

Five years after launching the Global Tax Expenditures Database (GTED) in June 2021, the present report takes stock of how the tax expenditure (TE) field has evolved and what remains to be done. We use this anniversary to reflect on changes in reporting, but also on emerging approaches to evaluation and the partnerships that support TE reform. Our theory of change is clear: more and better TE data is a necessary though not sufficient condition to enhance evidence-based policymaking in the field. A central question throughout this report is therefore how to turn better information into more effective, equitable and accountable fiscal policy.

When the Council on Economic Policies (CEP) and the German Institute of Development and Sustainability (IDOS), then named the German Development Institute, started working on the GTED in 2019, we sought to make a largely overlooked part of public spending visible. Governments extensively use tax exemptions, deductions, credits and other preferential tax treatments to support particular groups of taxpayers or activities, but their costs and results often receive less scrutiny than direct expenditure. By bringing official national TE data together in an openly accessible database, we aimed to strengthen the basis for research, public debate and policy decisions.

The starting point was sobering. At the time of the GTED launch, only 97 countries had published at least one TE report since 1990. However, progress in this respect has been steady. The latest GTED version identifies 119 reporting jurisdictions. This tendency is encouraging and the wider coverage gives us more information to work with, but the picture remains worrisome, as there are still 99 jurisdictions that have never issued an official TE report. Moreover, the availability of at least one report does not imply regular reporting. In fact, several countries have discontinued reporting after 2021, or only issued one-off TE reports.

Over the past five years, the GTED has not only provided researchers, policymakers, and other stakeholders with a comprehensive cross-country repository of TE policies, but also helped put TEs on the international policy agenda. The present report discusses developments documented by the GTED as well as additional perspectives from external authors who have been in touch with us throughout this journey. We are particularly grateful to all contributors and partners whose expertise and engagement have enriched this work over the past years, as witnessed by the different chapters of this report.

The main piece of information gathered by the GTED is the revenue forgone stemming from TEs. Under the GTED methodology, we retain governments' definitions of their own benchmark tax systems rather than impose a standardised or harmonised benchmark. Whereas this approach allows us to stick to the official data, it does not come without issues. Different benchmark definitions, as well as differences in coverage and estimation methods, limit comparisons across countries and over time.

The significant heterogeneity in the quality and scope of TE reporting practices adds further noise. This is captured by the Global Tax Expenditures Transparency Index (GTETI), which was launched in 2023. The GTETI complements the GTED by assessing the regularity, quality and scope of TE reporting. Based on these complementary databases, it is now easier in many cases to determine whether a rise in reported

TEs reflects improved disclosure. This said, governments should increase their efforts to complement revenue forgone estimates with companion information and context to disentangle better reporting and policy changes from confounding factors such as the effect of an external shock. The Netherlands is one of the very few countries that disentangle revenue forgone estimates into three components: *policy* (changes resulting from an adjustment of the TE or from an adjustment of the general rate of the type of tax under which the tax scheme falls), *endogenous* (changes due to a general economic development, such as price and volume developments), and *technical adjustment* (changes due to adjustment of the methodology or the data used for the estimate).

Our own work has expanded alongside these tools. In October 2023, we launched the Tax Expenditures Lab as a home for the GTED and GTETI and a platform for research, policy dialogue and peer learning. In 2024 we launched the Tax Expenditures Country Report series, which presently gathers 12 such country reports. These and other thematic publications by the Lab's team aim at connecting the global evidence with the institutions, actors and policy choices that shape national practice.[1]

Partnerships have been central to this development. Building on regional workshops with the Addis Tax Initiative (ATI), we established the Community of Practice on Tax Expenditures in October 2024 to sustain exchange among practitioners. Our long-term partnership with the ATI is described in Chapter 3. In Latin America, we have been engaging with the United Nations Economic Commission for Latin America and the Caribbean (ECLAC) through a series of regional workshops on TEs and the elaboration of several reports (Chapter 4). In July 2025, CEP and IDOS joined three other partner institutions (International Centre for Tax and Development, International Institute for Sustainable Development and ODI Global) in launching the Coalition on Tax Expenditure Reform at the Fourth International Conference on Financing for Development in Seville (Chapter 5).

The agenda has also grown beyond estimating and reporting on TEs. Our 2025 Flagship Report examined TE effectiveness, including evidence on VAT provisions, climate policy, research and development, and investment incentives (von Haldenwang et al., 2025). The latter is an area that has been gaining momentum, reflected by the crucial role tax incentives play in the context of the GloBE rules developed by the OECD. Chapter 6 presents the OECD Investment Tax Incentives Database (ITID), which provides detailed information on the design, targeting and governance of investment tax incentives.

More broadly, stakeholders increasingly ask who benefits from TEs, whether a tax incentive triggers additionality in terms of investment decisions, and whether its objectives could be achieved more efficiently through another policy instrument. As discussed by the UNU-Wider colleagues in Chapter 7, digitalization and access to administrative data offer opportunities to investigate these questions and contribute to more informed decision-making in the field.

Without reliable evidence, it is not possible to determine which TE provisions are effective and which are not. Neither are all TE provisions useless, nor do their stated objectives alone justify their continuation. Some TEs serve legitimate public purposes; others may be poorly targeted, redundant, ineffective, or simply too costly. We therefore favour comprehensive assessments across the TE Policy Cycle, from the

[1] Recent publications include an IMF How to Note on Special Economic Zones (Aliu et al., 2026), a report on TEs for environmental sustainability published by ECLAC (Redonda et al., 2025), a journal article on the role of TEs in enabling illicit financial flows (von Haldenwang et al., 2024), and a publication comparing the use of TEs for social objectives with direct spending for similar goals (Aliu and Redonda, 2025).

design of a provision and its implementation to reporting, evaluation and reform (von Haldenwang et al., 2025). We also recognize that reform involves political choices and distributional consequences. Thus, evidence must be accompanied by transparent decisions about priorities and responsibilities, which are country- and context-specific.

To underline the fact that country experiences are crucial, the last three chapters of this report present perspectives and lessons learned from Madagascar, the Netherlands, and Indonesia – three countries at different stages of TE analysis that complement each other well.

Over the next five years, we aim to expand the evidence available on TEs while making our own data, methods and findings more transparent and accessible. Beyond the GTED, this means supporting countries, whenever possible, in publishing comprehensive and regular TE reports, improving the information available on individual provisions, and encouraging more systematic evaluations of their effectiveness, distributional consequences and fiscal costs. We also aim to close the gap between disclosure and decision-making by promoting the use of evaluation findings in budgetary and legislative processes, particularly when deciding whether to retain, redesign or remove individual TEs.

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Five years of the GTED: mapping tax expenditures worldwide

Flurim Aliu & Sofia Berg (CEP)

Expanding and improving the evidence base

When the GTED was first launched in 2021, only 97 countries were listed as publishing TE reports. In the latest version (GTED 1.4.0), this number has increased to 119 and it will continue to grow since several countries have already published their first reports in 2026 and others prepare to do so.[2] This is encouraging, as reporting on TEs and their associated fiscal costs strengthens transparency and fiscal planning, while helping to ensure that spending through the tax system is recognized and considered alongside direct government expenditure.

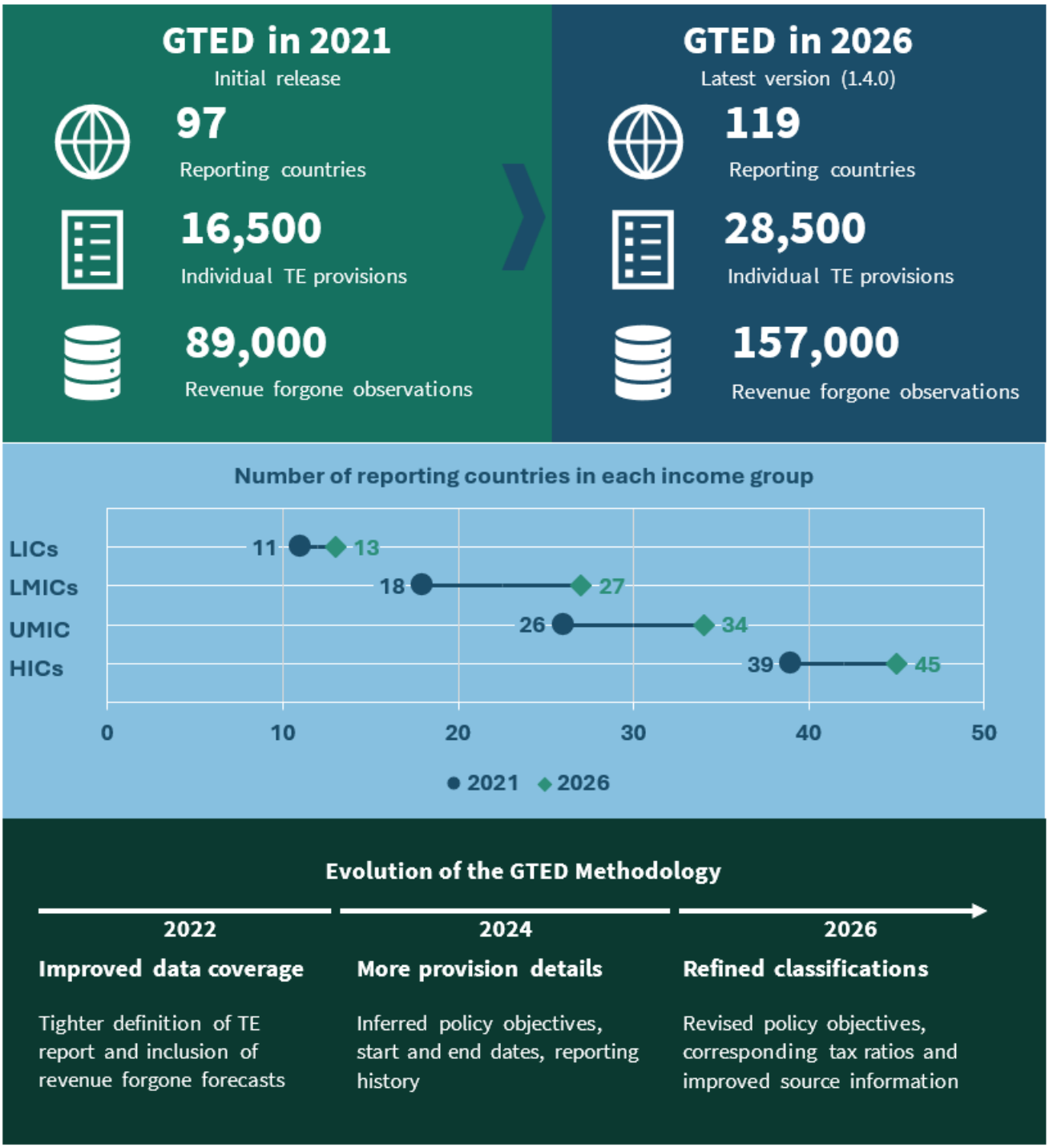
Much of the observed progress has come from middle-income countries. Since 2021, the number of reporting countries has increased from 18 to 27 for lower-middle-income countries (LMICs), and from 26 to 34 for upper-middle-income countries (UMICs). Progress among low-income countries (LIC) has been slower, with an increase from 11 to 13 reporting countries. When it comes to regional coverage, Europe & Central Asia and Sub-Saharan Africa have seen the largest increases, adding eight and seven countries, respectively.

Preparing and publishing a TE report is an important first step, but for TE reporting to meaningfully inform policymaking, reports need to be published regularly, ideally annually, and provide comprehensive and detailed information. Over the years, the GTED as well as the GTETI have identified persistent challenges in both respects. Some countries have discontinued reporting, while others publish irregularly or without a clearly established reporting cycle. The scope and quality of the information disclosed also vary considerably. While some countries provide detailed provision-level estimates and descriptive information, others report only aggregate figures or cover a limited number of provisions.

Despite these shortcomings, the expansion of TE reporting has substantially increased the information available through the GTED. The number of individual TE provisions covered has grown from around 16,500 in 2021 to more than 28,500 today (or over 35,000 records when aggregate estimates are also included). Revenue forgone observations have risen from around 89,000 to more than 157,000.

[2] The cutoff date for the inclusion of TE reports in GTED 1.4.0 was 31 December 2025.

Figure 1. GTED progress in five years



Source: Redonda et al. (2026), Redonda et al. (2021)

In addition, the GTED has undergone continuous methodological improvements to enhance the quality, consistency, and usability of its data over the years. One of the most substantial changes in GTED 1.4.0

was a comprehensive revision of the classification of policy objectives assigned to TE provisions. This involved introducing new categories to address gaps identified as the database expanded, simplifying the names of existing objectives, applying stricter criteria to distinguish between categories, and reviewing the classification of individual provisions. To support this process, an Artificial Intelligence (AI) model trained on the GTED methodology was used to identify potential inconsistencies, which were then reviewed by the team, with all final classification decisions made by human reviewers.

The latest update also introduced a new measure of revenue forgone relative to collections from the corresponding tax. This provides additional context for assessing the scale of TEs and additional opportunities for cross-country comparisons. For example, VAT expenditures equivalent to 1 percent of GDP would represent 20 percent of VAT revenue in a country collecting 5 percent of GDP in VAT, but only half of that ratio in a country collecting 10 percent. The measure may also partly account for differences in tax rates, since higher rates generally increase both revenue collections and the estimated cost of exemptions. However, it does not eliminate differences in how countries define their benchmark tax systems (BTSs), which affect the classification and estimated cost of TEs but not necessarily tax collections in the same way.

The latest update also provides more information about the underlying data. Each provision now includes the title of its source TE report in the original language, allowing users to locate the publication themselves. We also added an indicator showing whether a provision appears in the latest available report. Finally, the database now shows how many years of revenue forgone estimates are available for each provision, making it easier to identify which provisions have estimates and how far back these extend.

How much do tax expenditures cost?

One of the GTED's key contributions is its estimate of average revenue forgone from TEs globally, which is also among its most frequently cited statistics. Yet arriving at a single global figure is far from straightforward. Countries differ in how they define the benchmarks against which TEs are identified and revenue forgone is calculated, and which taxes and provisions they choose to estimate and include in the report. These differences hinder cross-country comparisons. Beyond these challenges, the choice of how to aggregate the available country-level data can itself significantly influence the resulting global estimate.

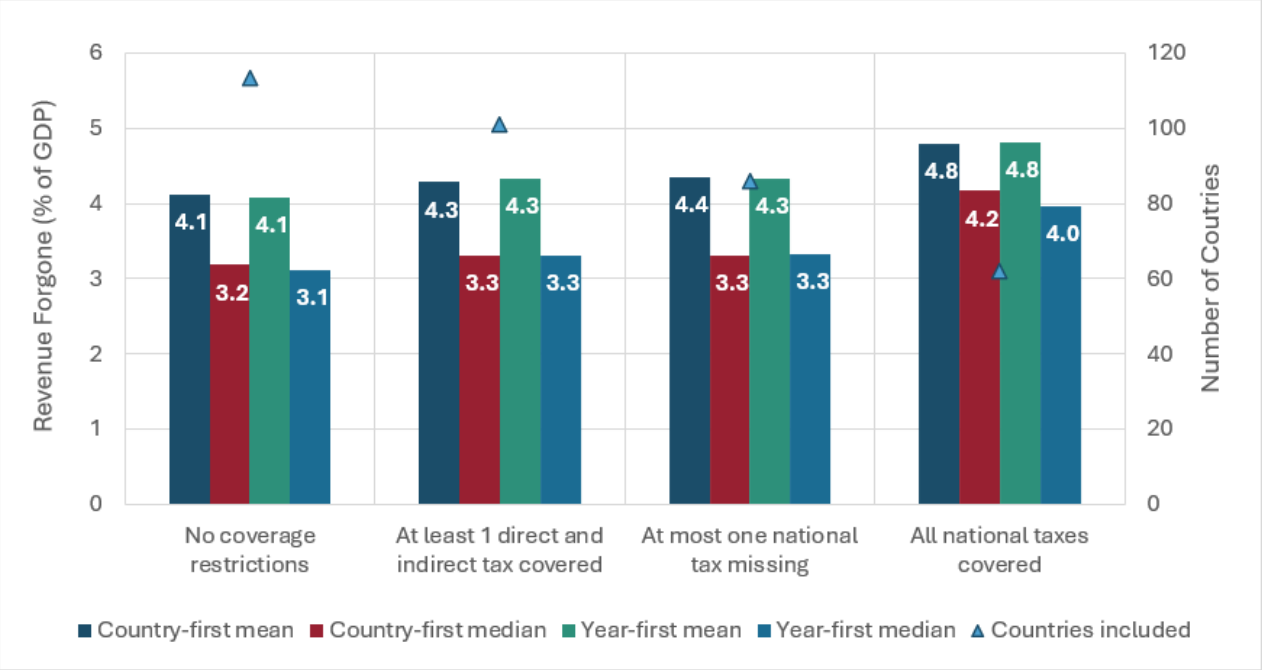
When calculating an average across countries and over time, the conventional approach is to first average across countries for each year and then across years (*year-first*). This works well when the same countries are represented throughout the period but can be problematic when reporting coverage varies considerably over time, as each year receives equal weight regardless of how many countries are included. In the case of the GTED, coverage grew from just six countries in 1990 to 107 in 2022.

In the past, we have therefore typically presented GTED figures using an alternative approach, first averaging over time within each country and then across countries (*country-first*), giving each country equal weight regardless of its reporting history. This allowed us to make greater use of historical data despite substantial differences in reporting coverage and avoided giving disproportionate weight to years with very few reporting countries. It also reduced the need to rely on recent years that were heavily affected by exceptional events, such as the COVID-19 pandemic.

With reporting coverage continuing to expand and more post-pandemic data now available, these concerns have become less pressing. We can therefore focus on 2020–2024, which offers broad and diverse reporting coverage, and use the more conventional year-first approach. Both averaging methods produce global means of around 4.1 percent of GDP over this period (see Figure 2). Another important distinction is between the mean and the median. Globally, the mean reported revenue forgone lies at approximately 4.1 percent of GDP, compared with a median of 3.1 percent. The difference reflects the influence of a small number of countries reporting particularly high costs. The median therefore provides a better indication of the "typical" level of reported TEs.

The comprehensiveness of national TE reporting also affects the estimates. Restricting the sample to countries whose latest reports cover all nationally applicable taxes raises the global mean from 4.1 to 4.8 percent of GDP and the median from 3.1 to 4.0 percent.

Figure 2. Global revenue forgone averages with different coverage restrictions, 2020-2024



Source: Redonda et al. (2026)

Looking across income groups, both the mean and the median show that revenue forgone generally increases with income level (see Table 1). The mean ranges from 2.2 percent of GDP in low-income countries (LICs) to 5.5 percent in high-income countries (HICs), while the corresponding medians are 2.2 and 4.1 percent. The gap between the mean and median is particularly pronounced among LMICs, where the figures are 2.7 and 2.1 percent, respectively, and among HICs (5.5 and 4.1 percent). Differences also persist within some income groups when it comes to the country-first or the year-first approach. Among LMICs, for example, the mean is 3.2 percent under country-first averaging compared with 2.7 percent under year-first averaging, largely because countries reporting unusually high revenue forgone for only one or two years receive greater weight under the former method.

Table 1. Revenue forgone (percent of GDP) using different averaging methods, 2020-2024

LICs		LMICs		UMICs		HICs	
Mean							
CF	**YF**	**CF**	**YF**	**CF**	**YF**	**CF**	**YF**
2.2	**2.2**	**3.2**	**2.7**	**3.9**	**3.9**	**5.4**	**5.5**
n=13		n=25		n=33		n=42	
Median							
2.5	**2.2**	**2.4**	**2.1**	**3.7**	**3.9**	**4.2**	**4.1**
n=13		n=25		n=33		n=42	

Note: CF=Country-first; YF=Year-first; n=number of countries included in the average. The calculations shown are done without sample restrictions. **Source:** Redonda et al. (2026)

So, what is the cost of TEs? Taking the median as an indication of the "typical" country, reported revenue forgone amounts to approximately 3.1 percent of GDP, or 18 percent of total tax revenue, over 2020–2024. However, these figures likely understate the full scale of TEs in countries with incomplete reporting. Restricting the analysis to countries whose latest reports cover all national taxes raises the median to 4.0 percent of GDP and 19.5 percent of tax revenue. This arguably provides a more complete picture of reported costs but comes at the expense of a smaller and less representative sample, particularly skewed towards HICs. Both estimates are therefore useful, although neither should be interpreted as a fully complete or comparable measure of the fiscal cost of TEs across countries. Going forward, we will use the year-first approach when reporting global averages and, as a general rule, present the median alongside the mean.

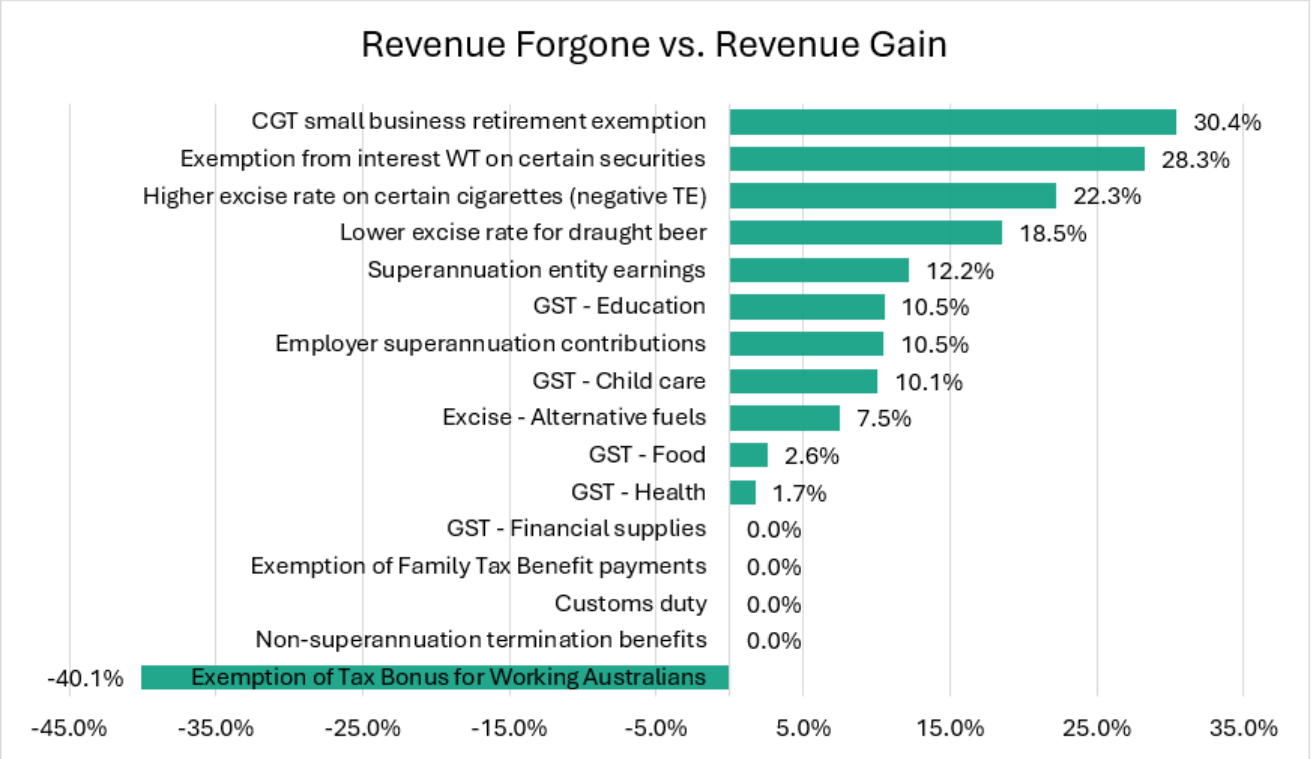
How should we interpret these figures?

An important distinction when interpreting these figures is between the revenue governments forgo through TEs and the revenue they could raise by removing them. The GTED gathers official TE data published by governments, and revenue forgone is the standard method for estimating the cost of TEs. This method estimates the revenue forgone through a TE provision by comparing actual tax revenue with the revenue that would have been collected in its absence, based on the country's chosen BTS and generally assuming unchanged taxpayer behaviour. It therefore provides a static estimate rather than a prediction of the additional revenue that could be collected if the provision were removed.

Estimating how much revenue governments could realistically raise by removing a TE requires a different approach, commonly referred to as the *revenue gain* method. Unlike revenue forgone, it considers a specific reform scenario (including whether the provision is abolished or reduced, when the change takes effect and whether existing beneficiaries are protected) and how taxpayers might respond to it, including changes in consumption, investment, saving or tax-planning decisions. Revenue gain is often lower than revenue forgone because removing a tax benefit can reduce the activity being taxed or encourage taxpayers to shift towards other tax-saving arrangements. For example, eliminating a value-added tax (VAT) exemption may reduce demand for the affected goods if consumer prices rise, while removing a preferential tax treatment for certain investments may encourage investors to shift capital into other activities.

Australia provides a useful illustration of the differences between these two approaches, as it is the only country that has published both revenue forgone and revenue gain estimates for selected TEs for multiple years. As Figure 3 shows, revenue gain is generally lower than revenue forgone, although the differences vary considerably across provisions. For goods and services tax (GST) exemptions on food and health, the average differences are relatively small, at around 3 and 2 percent, respectively. By contrast, revenue gain is approximately 28 percent lower for the exemption from interest withholding tax on certain securities, partly because taxpayers were expected to switch to alternative tax-exempt financing arrangements.

Figure 3. Percentage difference between Australia's revenue forgone and revenue gain estimates, by TE



Note: For each provision, the percentage shows how much the revenue-forgone estimate differs from the revenue-gain estimate, relative to revenue forgone. Positive values indicate that the fiscal cost using the revenue-gain

estimate is lower compared to the revenue-forgone estimate; negative values indicate that revenue gain is higher. A value of zero indicates identical estimates. **Source:** Australian Tax Expenditures Statements, 2008 to 2021.

Regardless of whether revenue forgone or revenue gain is used, aggregating estimates for individual TEs presents further challenges. Provisions can interact with one another, meaning that the combined effect of removing several provisions may differ from the sum of their individual estimates. Revenue gain estimates can account for that, but only if the reform scenario considers several provisions jointly rather than estimating each reform separately. Some countries address this problem by simulating the joint removal of all TEs, which captures these interactions more accurately but represents an unrealistic reform scenario, as governments are unlikely to eliminate all provisions at once.

Comparability is a challenge not only across countries but also within individual countries over time. National estimates depend on how countries define their BTSs, which provisions they classify as TEs, the taxes covered by their reports and the methods used to estimate revenue forgone. A country reporting relatively low costs may therefore have fewer TEs in place, but it may also apply a broader benchmark or report only on a subset of relevant taxes – or a combination of these factors – which affects the reported number of TEs.

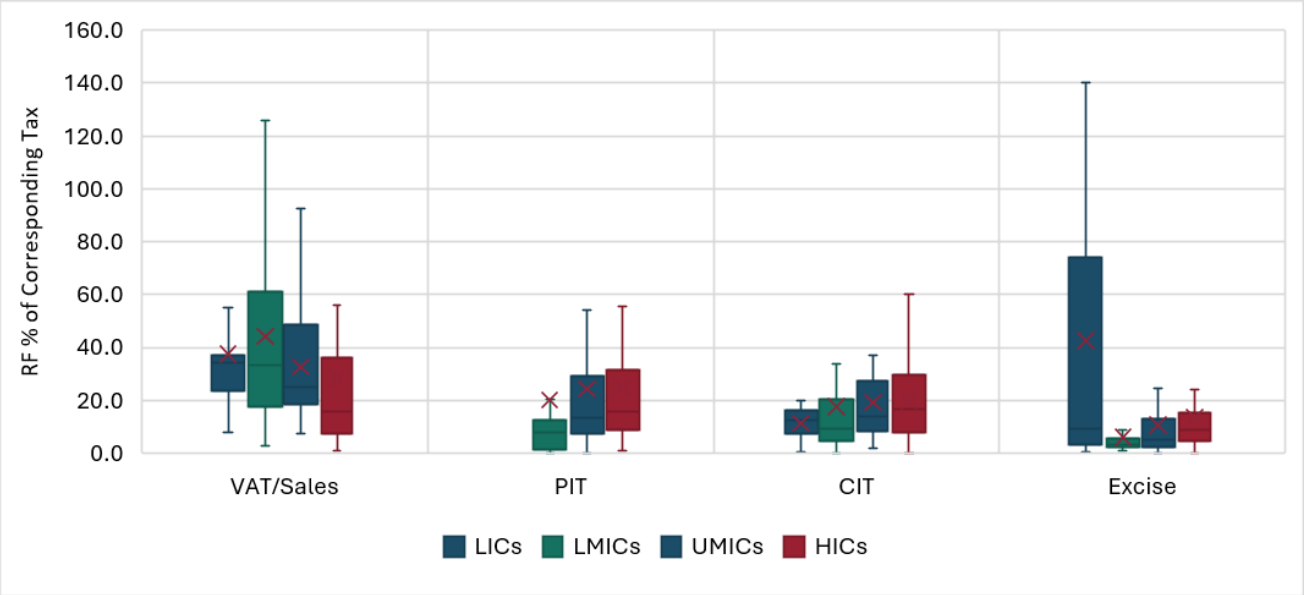
Similar challenges arise when comparing estimates within the same country over time. Changes in the methods used to estimate revenue forgone, adjustments to benchmark definitions, or changes in reporting coverage can affect the consistency of reported figures. When such changes are not clearly documented or reflected in the relevant time series, it becomes difficult to distinguish actual developments in the fiscal cost of TEs from changes in how these costs are measured and reported.

A further limitation concerns the aggregation of individual TE estimates. While summing up the revenue forgone from individual provisions can provide a useful indication of their overall fiscal magnitude, the resulting total does not necessarily reflect the combined revenue forgone from all provisions, owing to potential interactions between measures and behavioural responses.

The GTED relies on countries' own definitions of TEs, recognizing that each country determines its BTS and the provisions that deviate from it. To provide a common basis for analysis, we have traditionally expressed revenue forgone relative to GDP, to assess its scale in relation to the economy, and relative to total tax revenue, to indicate its significance for public finances. We now also introduce a third measure, revenue forgone relative to collections from the corresponding tax, which may improve comparability by relating the estimated cost of provisions to the revenue actually collected from the same tax. As mentioned before, this partly accounts for differences in tax rates and the relative importance of individual taxes across countries, although differences in benchmark definitions and reporting practices remain.

The results reveal the substantial scale of TEs relative to individual tax collections, with medians generally within the same order of magnitude across income groups, although differences are more pronounced for some taxes, particularly VAT. For VAT, the median revenue forgone ranges from around 16 to 35 percent of VAT revenue, with higher values for LICs and LMICs. Personal income tax (PIT) and corporate income tax (CIT) expenditures are also significant, with medians ranging from 8 to 16 percent and 9 to 20 percent of their respective tax revenues. Excise-related provisions tend to have lower medians, ranging from approximately 5 to 9 percent, but show considerable variation, particularly among LICs, where a few exceptionally high estimates push the mean substantially above the median.

Figure 4. Revenue forgone as a percentage of corresponding tax collection for selected taxes, 2020-2024



Note: The X represents the mean, the horizontal line the median, the box the middle 50 percent of observations (25th–75th percentiles), and the whiskers the range of observations. PIT estimates for LICs are omitted due to insufficient observations. **Source:** Redonda et al. (2026)

While these figures cannot fully capture the fiscal implications of TEs or eliminate differences in national reporting practices, they provide an important basis for understanding their scale and identifying where further scrutiny may be warranted. Ultimately, determining whether individual TEs justify their costs requires moving beyond revenue forgone estimates to assess their effectiveness, distributional consequences and broader economic effects.

Looking ahead, we aim to continue expanding the database, improving its accessibility and usability, and broadening the information it provides, e.g. by including subnational level data.

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Strengthening tax expenditure transparency and effectiveness for development

Taís Chartouni Rodrigues (Addis Tax Initiative (ATI) Secretariat)

Since its launch at the Third International Conference on Financing for Development in 2015, the Addis Tax Initiative (ATI) has recognised tax expenditures (TEs) as an important issue for enhancing domestic revenue mobilisation (DRM) and financing sustainable development.[3] Governments use tax exemptions, deductions, credits, reduced rates and other preferential tax treatments to pursue economic and social objectives, from attracting investment and developing strategic industries to supporting specific population groups and facilitating economic transformations.[4] Yet, without adequate monitoring and evaluation, these measures can result in significant revenue losses without delivering their intended benefits, while other policy instruments may achieve the same objectives more effectively.

Transparency is therefore essential not only to inform evidence-based decisions but also to promote accountability and public scrutiny. Unlike direct budget expenditure, TEs are often insufficiently reported, measured and evaluated. The ATI has worked to address these challenges through political commitments, monitoring frameworks and capacity development. Its declarations and monitoring frameworks have progressively reinforced the focus on TE transparency, helping members track progress and strengthen accountability.

The Seville Declaration on DRM, adopted in the context of the Fourth International Conference on Financing for Development in 2025, further underpins this agenda. Under Action 3, ATI members commit to rationalising TEs to minimise wasteful or harmful measures, improving their design, monitoring and evaluation and publishing TE reports regularly. They also commit to working towards joint voluntary minimum standards for TE reporting, strengthening countries' capacity to conduct thorough assessments of the TEs they use, and to modify or phase out ineffective and inefficient measures, as well as improving inter-agency coordination throughout the TE policy cycle.

In partnership with CEP and IDOS, the ATI translated its commitments into practical support. Between July 2022 and May 2024, six regional workshops in West Africa, East Africa and Asia, co-organised with partners, brought together officials from ministries of finance, revenue authorities and parliaments to build technical capacity, support knowledge exchange, and foster expert networks. The workshops covered the different stages of the TE policy cycle, from establishing sound governance frameworks and identifying and collecting relevant data to defining benchmarks, estimating revenue forgone, reporting, evaluating TEs, and identifying opportunities for reform. This comprehensive approach helped

[3] See ATI declarations: ATI Seville Declaration on DRM.pdf; ATI Declaration 2025 (EN).pdf; ATI Declaration 2020

[4] ATI_TaxIncentiveBriefs_2020.pdf

government officials strengthen their technical capacity to assess and measure TEs, while also promoting stronger oversight and scrutiny.

Developments across ATI partner countries illustrate progress and the value of this approach. Six countries — Bangladesh, Chad, Georgia, Ghana, Nepal, and Zambia — began reporting on TEs for the first time. In 2024, the Maldives, Liberia, and Tanzania also published their first stand-alone TE reports, having previously included limited TE information in budget reports or tax authority publications. Other countries enhanced the quality, scope, and regularity of their reporting. Niger introduced provision-level data, while Kenya and Uganda made their reporting more regular, and Rwanda refined its methodology.

Beyond reporting, several countries have taken important steps to improve the institutional and legislative frameworks for TE governance. Liberia adopted a strategic framework for TE monitoring and evaluation, established an inter-institutional monitoring team and created a dedicated unit within its Revenue Authority. Ghana's 2022 Exemptions Act introduced measures to strengthen TE governance, monitoring and evaluation, including a requirement to review tax exemptions at least every five years. Uganda also established a dedicated TE unit within its Revenue Authority in 2024, following a request for technical advice during an ATI regional meeting.

From transparency to better policy decisions

Publishing TE data is an important first step, but further efforts are needed to ensure that TEs are effective and aligned with DRM and development goals. Governments need to assess their impact, distributional effects and value for money, and use the findings to inform decisions on whether to retain, redesign or phase out specific measures.

Experiences in ATI partner countries illustrate how evaluation can inform policy reform. In Benin, a socio-economic evaluation of VAT exemptions on basic goods and services, including rice, gas, water and electricity, informed the government's decision to remove certain exemptions and explore alternative measures to support poorer households. A further evaluation covering 2022–2027 is planned. Mauritania also evaluated tax incentives granted in the Nouadhibou Free Zone and, in light of their limited positive impact on investment, exports and employment, alongside significant revenue losses, a reform was introduced in 2024. The new law removed the special tax treatment of corporate profits, narrowed the scope of exemptions and limited the combination of fiscal advantages.

Despite this progress, improving the effectiveness of TEs remains a challenge for many countries, and further efforts are needed to review and reform existing policies. Peer learning and capacity development are essential to these efforts. The ATI and the Tax Expenditures Lab partners, CEP and IDOS, therefore, continue to foster networks and knowledge exchange among TE experts through a virtual Community of Practice (CoP). Since 2024, discussions have addressed a range of practical policy questions, such as the role of VAT exemptions on basic goods and services in promoting tax progressivity; how governments can assess the costs and benefits of incentives in special economic zones (SEZs); and how TE data can help identify tax gaps and inform policies supporting the energy transition, among other topics. These exchanges enable practitioners to share experiences, discuss common challenges and explore approaches that can be adapted to their national contexts.

As countries advance the commitments of the *Compromiso de Sevilla* and work to strengthen financing for development, the ATI will continue to support a stronger TE policy agenda. In collaboration with the Lab, the Sevilla Platform for Action Coalition on Tax Expenditure Reform (COATE) and the wider international community, the ATI supports partner countries in strengthening the capacities and institutions needed to manage TEs more effectively and align them with national revenue mobilisation efforts and development goals. Key priorities and action areas include exploring the development of joint voluntary minimum standards for TE reporting and expanding training opportunities for government officials.



Pathway and prospects on tax expenditures analysis in ECLAC's agenda

Noel Pérez Benítez, Dalmiro Morán, Michael Hanni, Elisa Araneda & Ivonne González (ECLAC)

Since its inception, the debate on the use of tax incentives to promote and attract investment has been part of the fiscal policy agenda of the Economic Commission for Latin America and the Caribbean (ECLAC), with notable antecedents dating back to the 1960s (ECLAC, 1964). Since then, the study of these instruments has broadened to cover other types of tax expenditures and become increasingly important for ECLAC and its member countries.

Through dialogue with fiscal authorities and specialized organizations, the analysis initially focused on measuring the fiscal cost associated with preferential tax treatments and gradually broadened its scope to encompass their design, governance and outcomes, as well as their use in pursuing climate, social and other objectives. ECLAC's Regional Seminar on Fiscal Policy has been a key forum for this work: over its 38-year history, it has consistently placed tax expenditures on the agenda. Over the past three decades, several reference documents have addressed this subject (for instance, see Bird and Chen, 2000). Building on this work, a regional report published by ECLAC systematized the available statistical data and examined investment incentives and their fiscal cost, highlighted the difficulties of comparing country-specific methodologies and classification strategies, underscoring the need for disaggregated information to identify beneficiaries and evaluate results (Jiménez and Podestá, 2009).

One key lesson drawn from this line of activities was that tax expenditures can pose a significant obstacle to achieving efficient, sufficient and equitable tax systems in the region (Gómez Sabaini, Jiménez and Martner, 2017). ECLAC's work helped disseminate comparative information on the fiscal cost and composition of these instruments as well as their effects on investment and public financing. In particular, the *Fiscal Panorama of Latin America and the Caribbean 2019* included a chapter focused on tax expenditures as a tool for achieving the multiple standards of the Sustainable Development Goals (ECLAC, 2019). That same year, the publication *Tax incentives for businesses in Latin America and the Caribbean* (ECLAC/Oxfam, 2019) was presented at the Regional Technical Workshop on Tax Incentives, with the support of the Spanish Agency for International Development Cooperation (AECID).

In 2022, ECLAC was able to build on this initiative by organizing the Regional Technical Workshop on Tax Expenditures in Mexico City, an event that has been held annually since then supported by the German Agency for International Cooperation (GIZ). The workshop featured the presentation of the study *Measurement of Tax Expenditures in Latin America*, which examined several official tax expenditure reports and proposed improvements to the estimation of their costs (Campos Vázquez, 2022). In 2023, the second workshop focused on evaluating objectives, costs, benefits and policy alternatives, drawing on the publication *Evaluation of tax expenditures: conceptual frameworks and international experiences*

(Redonda, Berg and von Haldenwang, 2023), which analyses these instruments as part of a policy cycle that links ex ante and ex post evaluations.

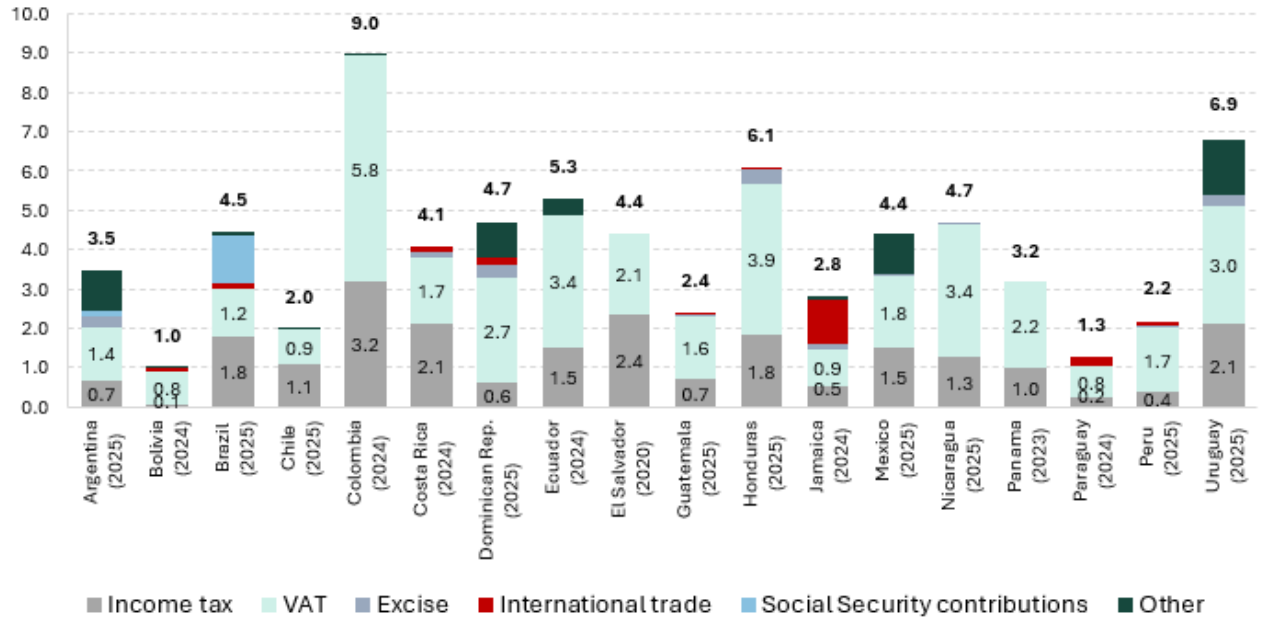
The strategic partnership between ECLAC, the Council on Economic Policies (CEP) and the German Institute of Development and Sustainability (IDOS) has helped enrich and consolidate this work agenda through new publications and in-person participation in various concurrent events. One example is the report *Tax expenditures for environmental sustainability: international experiences in their identification and evaluation to enhance their governance* (Redonda, von Haldenwang and Berg, 2025), which was also presented at the 2025 ECLAC Regional Workshop. Additionally, the *Fiscal Panorama of Latin America and the Caribbean 2025* also featured a chapter on tax incentives to promote environmental sustainability in the region (ECLAC, 2025). Both studies delved into the evaluation and governance of these instruments, as well as their contribution to broader policy objectives.

The issue of tax expenditures was also incorporated into the agenda of the Regional Platform for Tax Cooperation in Latin America and the Caribbean (PTLAC), whose first ministerial summit took place in 2023. The Platform has a Working Subgroup on Tax Benefits, coordinated by ECLAC[5]. Within this framework, reports have been prepared on the management of these instruments in Latin America, examining national experiences and proposing a set of policy guidelines. For example, the *Technical Note* for the period 2025–2026 addressed environmental tax expenditures, recent measures to enhance transparency in their management, and the interaction between tax incentives and the proposal for a global minimum corporate tax (PTLAC, 2026). Various virtual meetings have also been organized on these issues, with the participation of technical teams from countries in the region and leading international experts.

More recently, an ECLAC working paper presented an analytical framework, a regional inventory, estimates of fiscal costs and country experiences on tax incentives related to environmental sustainability (Podestá, 2026). Likewise, the *Fiscal Panorama of Latin America and the Caribbean 2026* provided an analysis of tax expenditures aimed at social objectives, proposed a methodology for identifying them in 12 countries of the region, and examined their characteristics, sectoral distribution and relationship with other policy instruments (ECLAC, 2026). This subject has been the main focus of the 2026 Regional Workshop, held in Santiago, Chile. Overall, this workshop series has clearly helped to promote the technical and policy exchange between countries of the region, with the aim of translating methodological advances into better decisions regarding the management of public resources.

[5] For more details, see: https://www.cepal.org/en/projects/regional-platform-tax-cooperation.

Figure 1. Tax expenditures by main taxes in Latin America and the Caribbean (18 countries), 2025 or latest available official data (in percentages of GDP)



Source: ECLAC, based on official reports.

Given the current level of tax revenue forgone from these instruments throughout the region (see figure 1), averaging 4 percent of GDP and highly concentrated in VAT and income tax, it will be necessary to continue deepening the analysis of tax expenditures to guide their rationalization and ensure their appropriate use as a policy tool for promoting sustainable development in Latin America and the Caribbean.

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Coalition on Tax Expenditure Reform (COATE): 2026 Progress Report

Alexandra Readhead, IISD

The Coalition on Tax Expenditure Reform (COATE) was launched in 2025 at the 4th International Conference on Financing for Development in Seville. As a "Sevilla Platform for Action" initiative, it addresses one of the largest yet least transparent areas of public finance: tax expenditures (TEs). According to the latest version of the Global Tax Expenditures Database (GTED), reported TEs – including exemptions, deductions, credits, preferential rates, and deferrals – average around 21.8 percent of tax revenue and 4.1 percent of GDP across countries. Together they represent at least USD 4 trillion in forgone revenue annually, and the true figure is likely higher given widespread underreporting.

While TEs can support investment, social objectives, and economic transformation, they are often poorly governed, inadequately scrutinized, and rarely subjected to the same level of oversight as direct public expenditure. At a time of constrained fiscal space, rising debt burdens, and increasing demands for financing sustainable development, improving the governance of TEs has become an urgent priority.

In response, COATE brings together five partner institutions: the Council on Economic Policies (CEP), the German Institute of Development and Sustainability (IDOS), the International Centre for Tax and Development (ICTD), the International Institute for Sustainable Development (IISD), and ODI Global. Up to this point in time, the Coalition has received endorsements from the governments of Brazil, France, Guinea, Nigeria, Rwanda, Senegal, Spain, and the United Kingdom, as well as the United Nations Development Programme (UNDP).

During 2026, COATE focused on laying the foundations for long-term reform by developing a global voluntary minimum standard on TE reporting, a Massive Open Online Course (MOOC) on TE reform, as well as strengthening partnerships and mobilising additional funding.

Progress to date

Making tax expenditures visible

COATE's first priority is to improve transparency and oversight by ensuring that TEs become visible within public finance systems.

A key milestone in 2026 has been the development of **Voluntary Minimum Standards for Tax Expenditure Reporting**. Developed through extensive collaboration among Coalition partners and

external stakeholders, the framework seeks to establish a common baseline for TE reporting that can be applied across different country contexts. By setting such a baseline, the framework gives governments and their partners a shared reference point for adequate reporting, and translates existing international guidance on tax expenditure reporting into practical, assessable steps.

The framework builds on the Global Tax Expenditures Transparency Index (GTETI), and is structured around core principles such as regularity, specificity, transparency, and budget integration. To support implementation and monitoring, these principles are broken down into measurable indicators covering issues such as publication frequency, provision-level revenue forgone estimates, beneficiary information, legal references, parliamentary oversight, online accessibility, and integration into budget documentation.

COATE conducted a broad stakeholder consultation during 2026, with responses from governments, international organisations, civil society organisations, researchers, and practitioners. Feedback from this process has helped refine the framework and strengthen political ownership among key stakeholders. Further consultations are underway with regional organisations, with the aim of gathering feedback and identifying opportunities for regional implementation. The final set of standards is expected to be launched in 2027.

Building capacity for reform

Improved reporting is only the first step. Countries also require the skills, systems, and institutional capacity to assess whether TEs are achieving their intended objectives.

To address this challenge, COATE has begun the development of a comprehensive **MOOC on TE Reform**, supported by funding from the Swiss Agency for Development and Cooperation (SDC) and the European Union. The course follows the full TE policy cycle and is designed for officials from ministries of finance, tax administrations, investment promotion agencies, parliaments, supreme audit institutions, and civil society organisations working in the TE field. It combines technical content with practical country experiences and sector-specific examples. Participants will be supported through live discussions, peer learning and the presentation of case studies. The MOOC is expected to be launched in 2027.

Partnerships and international engagement

A significant achievement since the launch of COATE has been the establishment of an active and engaged network of partner governments and institutions.

Endorsing countries have provided strategic guidance and practical feedback, helping to shape the development of the minimum reporting requirements and broader COATE activities. COATE has also expanded collaboration with the Addis Tax Initiative (ATI), including engagement through the Community of Practice on Tax Expenditures, a joint initiative by the ATI, CEP and IDOS.

COATE contributed to several high-profile international events, including the Platform for Collaboration on Tax (PCT) Tax and Development Conference in Japan in March, a TED-style talk on TE reform at the Global Partnerships Conference in London in May, participation in the UNDP Public Finance for SDGs Conference in Spain, and presentations at the African Tax Administration Forum (ATAF) Annual Meeting in Egypt in November.

Building on these outreach efforts, COATE also delivered targeted capacity-building activities to strengthen technical knowledge and foster a growing expert network on TE reform. These included a two-day workshop at the ICTD Future of Tax Forum in Zambia, a masterclass for tax researchers at the ATAF Africa Tax Research Network conference in Rwanda in August, and a high-level side event on TE reform during the IMF-World Bank Annual Meetings in Thailand in October.

This combination of international engagement, peer learning, and technical capacity development has helped raise awareness of the importance of TE transparency while building demand for improved reporting, evaluation, and reform.

Priorities for 2027

Drawing on COATE's work plan, the next phase will focus on scaling implementation and supporting countries throughout their reform processes. Key priorities include:

1. **Supporting uptake of the minimum reporting standards**
   COATE will disseminate and promote implementation of the voluntary minimum standards through international and regional forums, including engagement with governments, parliaments, oversight institutions, and civil society organisations.

2. **Expanding capacity building and technical assistance**
   COATE will launch the MOOC platform, develop practical guidance notes and tools, and provide demand-led technical assistance to selected countries.

3. **Strengthening peer learning and knowledge sharing**
   COATE will continue contributing to the Community of Practice on Tax Expenditures, organise the first global forum on TE reform, and provide inputs to capacity building events organised by partner organisations.

4. **Providing integrated country support**
   Recognising the cross-cutting nature of TE reform, COATE will work with partners to develop targeted materials for oversight bodies including parliaments and supreme audit institutions.

The OECD Investment Tax Incentives Database

Luisa Dressler & Clara Gascon, OECD Centre for Tax Policy and Administration

The OECD Investment Tax Incentives Database (ITID)[6] provides a unique, systematic picture of how governments design and target tax incentives to attract investment and how these policies evolve over time. By making detailed, standardised and comparable data publicly accessible, the ITID helps policymakers assess incentives against their intended objectives and good policy design practices, supporting more effective and transparent policymaking.

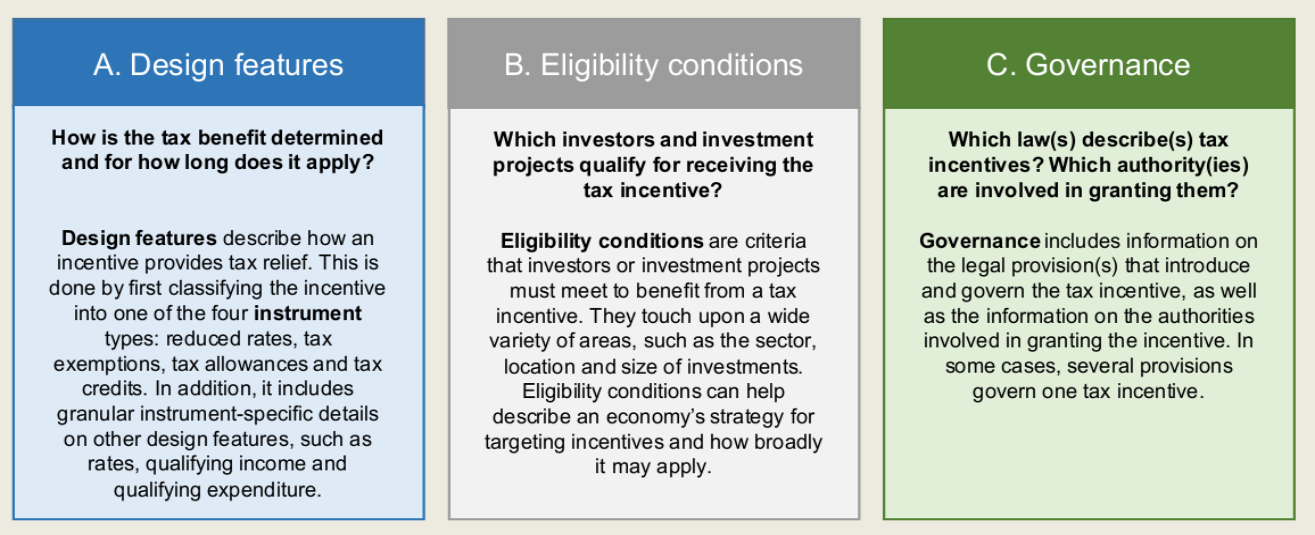
Key features of the OECD Investment Tax Incentives Database

The ITID compiles quantitative and qualitative information on the design and targeting of investment tax incentives across three broad dimensions: design features, eligibility conditions and governance (Figure 1). Data is collected from primary legal sources, using a consistent classification methodology. It focuses on incentives provided through the corporate income tax (CIT) system, with countries given the opportunity to review the information collected.

A CIT provision is included in the ITID if it offers a favourable and targeted deviation from a country's standard tax treatment, reducing or postponing tax liability with the objective of promoting investment. To qualify, the provision must be available only to some specific group of taxpayers, where availability may be defined by factors such as the taxpayers' sector, activity, location or other investor- or project-related characteristics.

[6] The OECD ITID is developed as part of a collaboration between the OECD Centre for Tax Policy and Administration and the OECD Directorate for Financial and Enterprise Affairs (DAF), supported by the Swiss Agency for Development and Cooperation.

Figure 1. The OECD Investment Tax Incentives Database: main dimensions



Source: Celani, Dressler and Wermelinger (2022).

Core outputs of the OECD Investment Tax Incentives Database

The ITID has been updated every other year (2022, 2024, and forthcoming 2026 editions). Its most recent edition covers more than 70 mainly developing and emerging countries.[7] The ITID classification and methodology are described in Celani, Dressler and Wermelinger (2022), while short policy summaries present key insights from successive updates (OECD, 2022a; 2025).

In June 2026, the OECD launched the ITID interactive dashboard, making the database easily accessible to the wider public. The dashboard enables users to benchmark investment tax incentive regimes across countries and explore and visualise differences and trends across incentive types, targeting criteria and design features selecting the countries of their choice. The underlying data, covering approximately 45 variables per incentive, can also be downloaded.

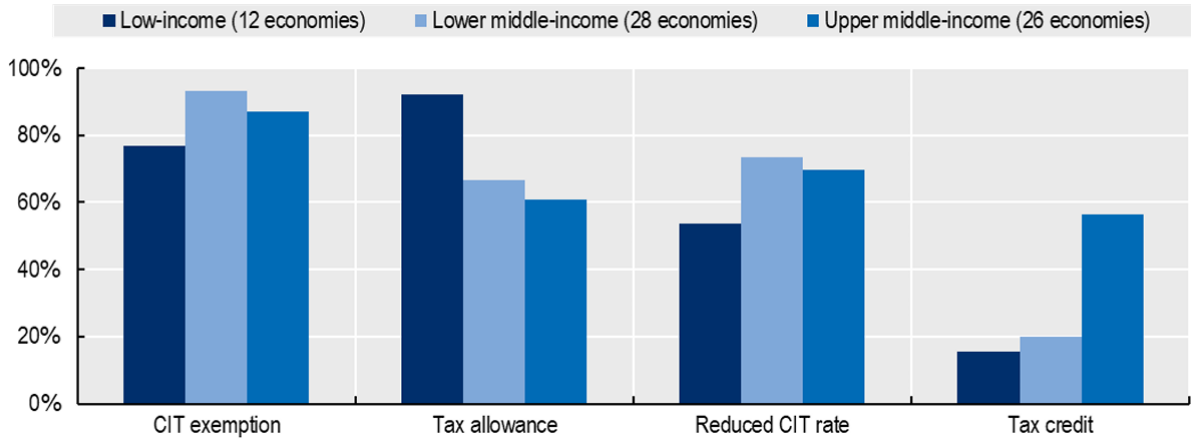
[7] The latest version of the database includes Colombia and Costa Rica and the following 68 non-OECD economies: Algeria, Angola, Argentina, Armenia, Azerbaijan, Bangladesh, Botswana, Brazil, Brunei Darussalam, Burundi, Cambodia, Cameroon, China (People's Republic of), Comoros, Côte d'Ivoire, Democratic Republic of Congo, Dominican Republic, Ecuador, Egypt, El Salvador, Eswatini, Ethiopia, Gabon, Gambia, Georgia, Ghana, India, Indonesia, Jamaica, Jordan, Kenya, Lao People's Democratic Republic, Lebanon, Lesotho, Liberia, Libya, Madagascar, Malawi, Malaysia, Mauritius, Moldova, Morocco, Mozambique, Myanmar, Namibia, Nigeria, Palestinian Authority, Papua New Guinea, Paraguay, Peru, Philippines, Rwanda, Saudi Arabia, Senegal, Seychelles, Sierra Leone, South Africa, South Sudan, Tanzania, Thailand, Tunisia, Uganda, Ukraine, Uruguay, Uzbekistan, Viet Nam, Zambia, Zimbabwe.

Key insights from the OECD Investment Tax Incentives Database

The latest edition of the ITID shows that investment tax incentives are widely used, with instrument choice varying by income level. Figure 2 shows the share of economies in each income group with at least one CIT incentive, by instrument, 2024 edition. Tax exemptions and reduced CIT rates are more common in middle-income economies than in low-income ones, while tax allowances, accelerations or enhancements, are more prevalent in low-income economies. Tax credit use increases with income, peaking in upper-middle-income economies.

Overall, tax exemptions are the most widely used CIT incentive across countries in the database, which is concerning, as such instruments tend to be less cost-effective than expenditure-based incentives, such as tax allowances and tax credits (IMF-OECD-WB-UN, 2025; OECD, 2026a).

Figure 2. Tax incentives design varies across income levels



Note: Income-groups based on World Bank Country and Lending Groups for the 2024 fiscal year, based on the Historical classification by income, accessed http://databank.worldbank.org/data/download/site-content/OGHIST.xlsx. **Source**: OECD (2025).

Further insights highlight, for example, that eligibility conditions for CIT incentives vary widely and most often relate to the sector or the location of activity; Special Economic Zones (SEZs) rely heavily on tax exemptions, while instrument use is more diverse outside SEZs. Incentives are also often spread across multiple laws and regulations, reducing transparency for investors and complicating monitoring and evaluation.

Use cases for the OECD Investment Tax Incentives Database

The OECD ITID supports tax incentive policymakers and stakeholders amongst others in

- Monitoring policy developments over time
- Benchmarking incentives against peers

- Supporting detailed analysis on incentive effectiveness and costs, and their generosity within specific sectors or areas
- Assessing impact of international tax rules such as the Global Minimum Tax.

The ITID has recently been used in forward-looking effective tax rate (ETR) analyses to compare incentive generosity of sectoral targeting across Sub-Saharan African countries (Celani, Dressler and Hanappi, 2022) and Latin American and Caribbean countries (Gascon et al., 2026), and in addressing general policy questions such as those related to the treatment of tax incentives in the context of the Global Minimum Tax (OECD, 2022b). The database is also regularly used in cross-country tax and investment policy analyses (OECD, 2023; 2024a; 2024b; 2026b).

Complementarities between the ITID and GTED

The OECD ITID complements the Global Tax Expenditures Database (GTED); while the latter provides high-quality information on the cost of incentives, the ITID provides comprehensive data on the legal provisions governing investment tax incentives and their detailed design features. While the ITID establishes which incentives are available and how they are structured, it does not currently capture their actual take-up (i.e. which firms benefit from these provisions) or their fiscal cost to governments. The GTED, which compiles information on tax expenditures reported by countries, is hence a useful complement. The ITID is however narrower in scope and only covers some incentive types compared to GTED.

Strengthening the links between the two databases would therefore further improve the evidence base, connecting the legal design of incentives with their fiscal implications. This complementarity could support more robust assessments of the effectiveness, efficiency and distributional implications of investment tax incentives, informing policy monitoring and reform. Further analysis using the two databases to compare design, targeting, and cost information could provide new insights on tax incentive policies in developing countries.

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From administrative data to tax expenditure evaluation and policy

Amina Ebrahim & Maria Jouste (UNU-WIDER)

Administrative tax data has transformed what is possible for empirical public finance. Yet this potential remains unevenly realized in tax expenditure (TE) analysis. The 2025 Tax Expenditures Lab Flagship Report shows that rigorous evaluations of TEs remain relatively scarce, particularly in Sub-Saharan Africa (von Haldenwang et al., 2025). A new database compiled by the Lab's team reinforces this picture: evaluations are concentrated in a small number of countries and years, with South Africa standing out as one of the few countries in the region where government, third-party, and academic evaluations complement each other.

Revenue authorities collect detailed information through tax returns, customs declarations, and payroll systems for tax administration purposes. One challenge is making these data safely accessible, linking information across tax types and over time, and developing the institutional and analytical capacity to use them for policy evaluation. TE reports can tell policymakers how much revenue may be forgone; micro-level administrative data, combined with other sources of information, can help answer the more difficult evaluation questions of who benefits, whether behaviours change, and whether the economic or social benefits justify the cost.

Since 2014, UNU-WIDER has worked with revenue authorities and ministries of finance to build infrastructure that makes TE analysis possible while protecting taxpayer confidentiality. Secure tax data facilities are now established in South Africa, Uganda, and Zambia. Their development illustrates a progression from ad hoc access to institutionalized setups through which researchers and government analysts can undertake reproducible, policy-relevant research. TE research and evaluations using data from these labs have directly influenced TE-relevant policies.

Secure data labs and their incidence on TE evaluations

Established in 2014, the National Treasury Secure Data Facility (NT-SDF) was subsequently developed through the Southern Africa – Towards Inclusive Economic Development (SA-TIED) partnership between National Treasury, the South African Revenue Service and UNU-WIDER. It grew from 5 to 29 datasets, spanning personal and corporate income tax returns, value-added tax (VAT), customs and excise duties. During this time, it has produced more than 100 studies, many of which evaluated TE policies.

For instance, administrative tax micro-data from the lab was used to assess the impact of the 2016 pension reform, which aimed at simplifying and harmonizing the pension systems to incentivize saving contributions and increase the fairness of the retirement system. The study found that the reform

increased the number of people contributing to pension funds without however leading to higher contributions. The number of people contributing to pension funds also remained in the top earners bracket indicating that the pension-related TEs were exacerbating the gap between low- and high-income South Africans. This evidence was used to evaluate the equity aspect of retirement TEs.

The National Treasury now runs its own rolling reviews tied to each of its tax incentive sunset dates, all built on the data from the NT-SDF. In 2021, it reviewed its Research and Development tax incentive which led to its simplification in January 2024. Since November 2024 until now, the National Treasury has been reviewing the Urban Development Zone tax incentive after it estimated that R2.7 billion (USD 164.4 million) was forgone on that incentive alone between 2012 and 2022. This is a clear example that access to administrative data through the NT-SDF is feeding directly into the government's evaluation practice.

The Uganda Revenue Authority (URA) launched its own secure data lab with the support of UNU-WIDER in 2022. The number of researchers using the lab grew from 5 to more than 40 in three years. It centralized and replaced fragmented data-sharing practices and now its datasets cover corporate income tax, Pay As You Earn, VAT, trade taxes, and registration data.

In 2023, a study matched administrative tax data from 2014 to 2021 with a new tax incentive dataset to review Uganda's corporate tax incentives. It quantified the annual fiscal cost of tax holidays against weak evidence of benefits for Uganda's economy. This was a concrete example of a data lab producing a cost estimate directly usable in TE reporting. In 2026, the Ministry of Finance, Planning and Economic Development published a cost-benefit analysis of Uganda's 10-year tax holidays building on the study and using data from the URA data lab.

Access to administrative tax data is one part of the puzzle when it comes to improving TE policies. Having the right skills to interpret the data and evaluate the policies is another. In that regard, developing the capacity of Global South countries for evaluating tax expenditure is essential. This cannot be separated from the work happening in the data labs.

Since 2022, UNU-WIDER has provided capacity building support to Addis Tax Initiative (ATI) member countries through regional workshops organized by the ATI, CEP and IDOS. The latest workshop presented a practical tax incentive evaluation study from South Africa and how the use of data helped the TE evaluation. This illustrates how lab-generated evidence is transmitted into peer-learning among ATI member countries.

Sustained, safe data access coupled with capacity building is the best way for Global South countries to conduct regular TE analysis to find out if their policies are designed in the most optimal way to serve their citizens. A new secure data lab opened in Zambia in August 2025; it is expected to enable TE studies in a similar trajectory to South Africa and Uganda, furthering the number of rigorous evaluations of TEs in the region.

Tax expenditures in Madagascar: from measuring revenue forgone to assessing public value

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Since 2021, Madagascar has progressively developed its approach to tax expenditures (TEs) – from identifying provisions and estimating their fiscal cost towards greater transparency, a clearer tax benchmark, distributional analysis and evidence-informed decisions. This change in approach is important for a country needing to finance its development, strengthen domestic revenue mobilisation and foster investment.

Participation in different workshops—such as the regional workshops co-organised by the ATI, CEP and IDOS—as well as regional and international seminars, has enabled the Tax Policy Unit (the entity responsible for evaluating and reporting on TE) to draw inspiration from emerging practices. It has also prompted reflection on how TE analysis can move beyond merely measuring forgone revenue toward a more comprehensive assessment of public value.

This process of refining analyses fosters peer learning and translates shared knowledge into concrete improvements in national TE policies. It also reflects a broader shift—described in this article—from the simple monitoring of TE toward evidence-based decision-making, while simultaneously strengthening accountability regarding their economic and social impacts.

From transparency on costs to transparency on policy

Madagascar has assessed TEs since 2015. Better administrative data, modelling and institutional cooperation have enhanced its annual reporting, covering major domestic and customs taxes and classifying measures by tax, sector, beneficiary and policy objective.

TE costs increased from 1.5 percent of GDP in 2015 to 3.06 percent in 2025—equivalent to approximately 27 percent of collected tax revenue. This trend is explained, on the one hand, by gradual improvements in data access and the quantification capabilities within the Ministry of Finance, which have allowed for a better understanding of TE; and, on the other hand, by an actual increase over the years in the volume of products benefiting from exemptions. However, it remains difficult to demonstrate, whether or not these incentives directly contribute to economic growth. In 2025, they amounted to MGA 2,643.58 billion (USD 592.7 million), with more than 75 percent allocated to economic objectives. With a view to better

informing fiscal and budgetary decisions, the growing visibility of the associated fiscal costs raises questions about the impact.

Reporting can therefore be considered the start of an accountability chain: which measure, for what objective, benefiting whom, at what cost and with what results? Answering these questions requires regular, consistent reporting, which is integrated into fiscal and budgetary decisions (Mansour et al., 2026).

From fiscal cost to public value

Madagascar's 2023 report went beyond revenue forgone, using a household microsimulation model covering about 20,000 households to examine distributional effects. For the selected VAT exemptions and reduced rates, the richest households received 37.1 percent of the benefits, compared with 12.7 percent for the poorest. The issue of the effectiveness and appropriate targeting of the scope of the measures granted is essential. Such evaluations help compare policy intentions with actual beneficiaries and observed effects. Linking ex-ante assessment, performance monitoring and ex-post evaluation can turn reporting into a coherent policy cycle (Redonda et al., 2023).

Figure 1. Conceptual framework illustrating Madagascar's evolving approach and reform priorities



Source: Author's own elaboration

Making evaluation a condition for tax incentives

The Decree No. 2023-328 on the adoption, assessment and monitoring of tax and customs incentives marks an important institutional step. It requires authorities to provide a socio-economic justification before new incentives are adopted, and monitoring information and indicators to inform decisions on their continuation. This brings TE management closer to a spending review applied to taxation: each measure should be assessed for relevance, cost, beneficiaries and results.

The priority is to translate this framework into routine practice, especially for costly measures or those with significant economic and social implications.

From “how much does it cost?” to “is it worth the cost?”

Yet, greater transparency in reporting TEs is only a first step towards more effective fiscal governance. The central challenge is no longer merely to quantify the revenue forgone, but to determine whether these tax concessions generate sufficient economic and social returns to justify their budgetary cost. Addressing this question requires moving beyond descriptive reporting towards systematic impact assessment, scenario-based analysis, and evidence-based decisions on whether existing measures should be maintained, redesigned, or discontinued.

Madagascar is developing cost-benefit assessments of selected provisions, including those affecting food products, environmental objectives and investment. Scenarios can compare continuation, abolition, changes in eligibility or replacement by more targeted instruments, weighing fiscal costs against economic and distributional effects.

The analysis must also consider opportunity costs: forgone revenue could finance public services, while other policy tools may achieve the same objective at lower cost (Beer et al., 2022 and OECD, 2026).

Establishing a comprehensive tax expenditure life cycle

Challenges remain: data on investment, jobs, production and exports are incomplete; coordination across governmental bodies (revenue administration, ministries, statistical office and investment agency) must improve; and in-depth evaluation requires technical capacity.

A proportionate approach can focus on detailed reviews of measures with high fiscal costs, significant economic or social effects, or elevated risks. The priority is to establish a comprehensive tax expenditure life cycle.

An evolving experience with broader policy implications

Madagascar's experience since 2021 shows that better TE management is about more than budget transparency. The fundamental shift is to treat tax incentives as public policy instruments subject to justification, accountability and performance requirements.

The transition is not complete. Yet moving from "How much revenue is forgone?" to "Why, for whom, with what results, and compared with which alternatives?" is a significant step. The next frontier is not simply to measure fiscal cost, but to assess public value.

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Tax expenditures in the Netherlands

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The Netherlands ranks fourth in the Global Tax Expenditures Transparency Index (GTETI). Since the launch of the GTETI in 2023, the Netherlands has improved its rank by climbing from the eighth to the fourth position. The country scores high on public availability, descriptive data on tax expenditures (TEs), and assessments of TEs.

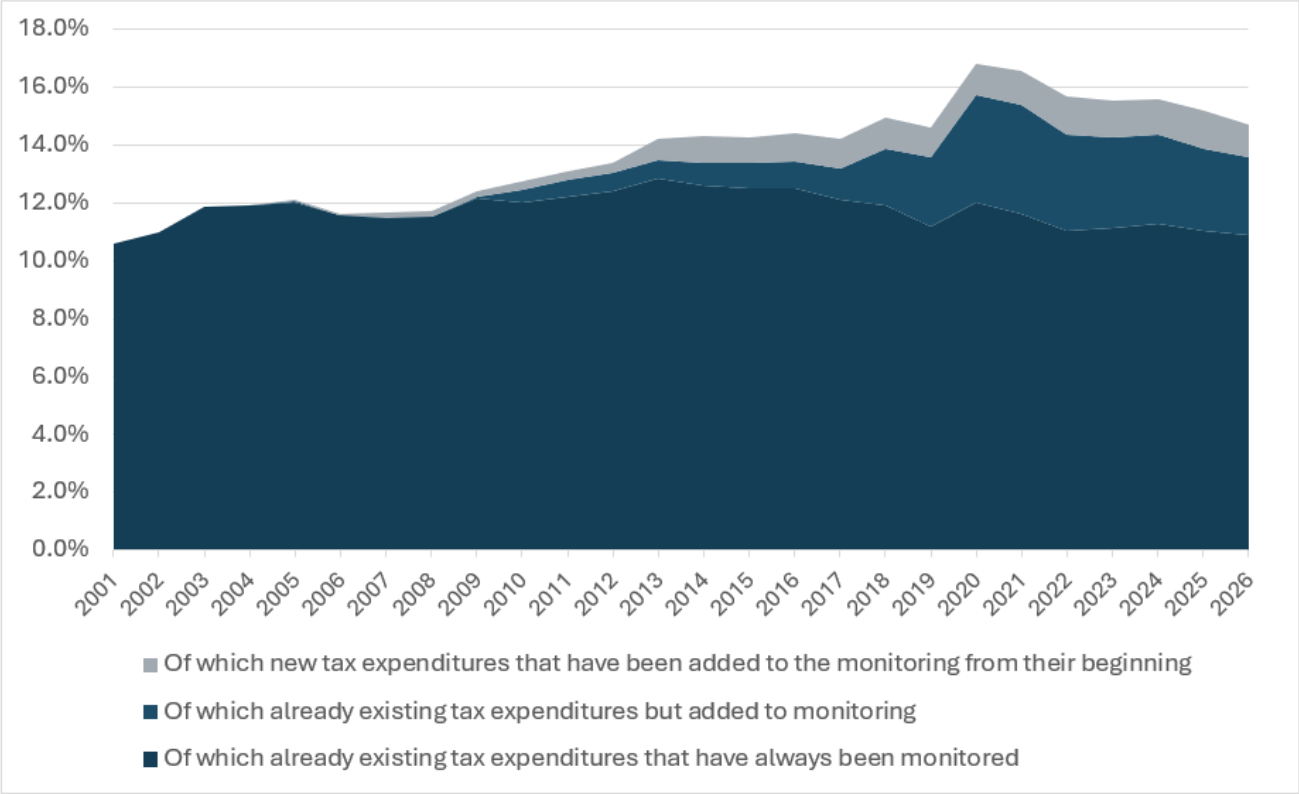
Since 2023 the Netherlands has explicitly adopted two guidelines – akin to a reference tax law-based approach – to identifying tax expenditures (TEs). The guidelines define TEs as expenditures with a specific policy objective (e.g. encouraging a specific activity) that deviates from the general purpose of the tax measure and leads to a foreseen decrease in tax revenues for the government. The Netherlands has opted for guidelines rather than a precise definition. This is mainly because additional requirements would unduly limit how we have traditionally reported TEs. Compared to most other countries, the Netherlands employs a broad definition. Guided by this definition, we have significantly expanded the number of monitored measures in recent years, as shown in figure 1. About 200 TEs have been identified.

Not all tax expenditures are included in the national budget or tracked through policy evaluations: only if the measure meets certain criteria[8] we monitor its revenue forgone. In total we report on roughly 120 TEs in the national budget of 2027. The amount spent on TEs is estimated to be € 186 billion in 2027. The amount has increased, on average, by 3 percent per year between 2022 and 2027. This is mainly driven by an increase of the amount spent on income tax credits and TEs for owner-occupied homes.

Figure 1 shows the development of the amount of money spent on TEs as a percentage of Gross Domestic Product (GDP) and the importance of scope broadening. Much of the long term growth in the forgone revenue can be ascribed to TEs that already existed but were not monitored yet. Particularly in 2020 we see a steep increase following a comprehensive scan of tax laws covering TEs that were not yet included in the annual report. This highlights the notion that TE transparency critically depends on the completeness of the scope.

[8] The amount is higher than € 5 million; there is no European Law or international treaty which requires the TE; data is available to estimate the costs of the TE; the TE is not only technical (e.g. to prevent double taxing), and not only preventing disproportionately high execution costs or administrative burdens

Figure 1. Forgone revenue of tax expenditures as percentage of GDP, by year



Source: Bijlagen bij Miljoenennota. Ministerie van Financiën – Rijksoverheid. https://www.rijksfinancien.nl/miljoenennota/2027/bijlage?phase=OWB

How do we monitor and evaluate tax expenditures?

The national budget reports the costs of TEs in the previous five years and gives a projection for the coming one. It also reports on new TE policy measures. Moreover, TEs are evaluated every 4 to 7 years. In the annual report, a summary of evaluation outcomes is provided. The evaluation schedule is announced four years ahead of time and is hence shielded from political considerations.

Evaluations are mostly performed by external consultants and occasionally by the Ministry of Finance in collaboration with the line ministries. To ensure the quality of evaluations there is a TE assessment framework. This framework requires every evaluation to assess how the intervention is justified, the choice of the specific instrument, as well as its effectiveness and cost-efficiency. Although the framework has existed since the early 2010s, the national court of audit noted substantial underuse in 2020, which led to subsequent improvements. This underscores that simply imposing quality standards is insufficient: progress also requires institutional adoption.

Box 1 – Evaluation framework and examples of evaluation outcomes

An example of a TE which has been positively evaluated is the WBSO, the primary **R&D tax credit** in the Netherlands. The WBSO is largely effective and cost-efficient in stimulating additional R&D expenditure. The evaluation in 2025 shows that between 2018 and 2022, every €1 reduction in payroll tax contributions led to approximately €0.81 in additional R&D investment. This has led to €1.02 billion extra R&D expenditures in 2022.

An example of a negatively evaluated TE is the reduced excise duty rate for small breweries, which was evaluated in 2026. The conclusion is that the TE is neither effective nor efficient. Therefore the cabinet has decided to abolish the reduced tax rate. The measure will be debated in parliament in autumn this year. The reduced rate has been negatively evaluated before. After the previous evaluation the cabinet decided to abolish the reduced rate in 2022. However, this decision was later reversed by means of an amendment to the tax bill at the House of Representatives.

Another example is the evaluation of the reduced corporate income tax (CIT) rate. This TE was evaluated for the first time in 2024. The evaluation concluded that the low CIT rate lacks a clear rationale and objective. Assuming the aim is to stimulate small and medium-sized enterprises (SMEs), the measure is of limited effectiveness and is not cost-efficient. However, the cabinet did not support removing this TE due to the negative impact on the business climate and the tax burden on companies.

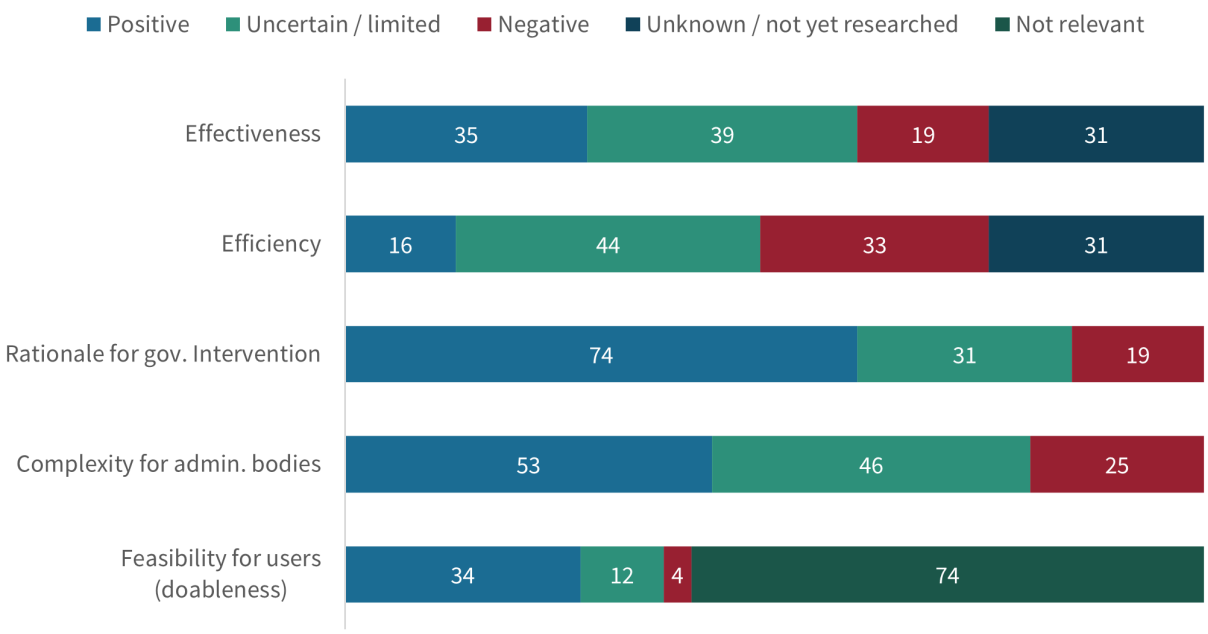
Broad review of tax expenditures and follow-up

A broad assessment of 116 TEs was conducted by the Dutch Ministry of Finance. The assessment looked at opportunities to improve TEs and to simplify the tax system. TEs were assessed based on four criteria: (1) effectiveness and efficiency, (2) reason for government intervention, (3) complexity in execution for administrative bodies, and (4) feasibility on the capacity to act for taxpayers. Part of the assessed TE provisions performed badly on at least one of these criteria, as shown in figure 2. The report furthermore concludes that TEs lead to higher taxes, more complexity as well as higher execution and enforcement costs, and advises to limit the introduction of new TEs and to critically look at provisions that perform poorly on the assessed criteria. Furthermore, it advises to rethink policy goals and follow up on evaluation results.

In 2025 the assessment of 2023 was deepened by elaborating four policy clusters in greater detail. The goal was to put forward concrete policy proposals to make the tax system simpler and more effective. Examples of policy recommendations include to abolish the reduced CIT rate, to reduce the tax on labor, to unify the VAT rate and to pursue specific policy goals with more targeted provisions.

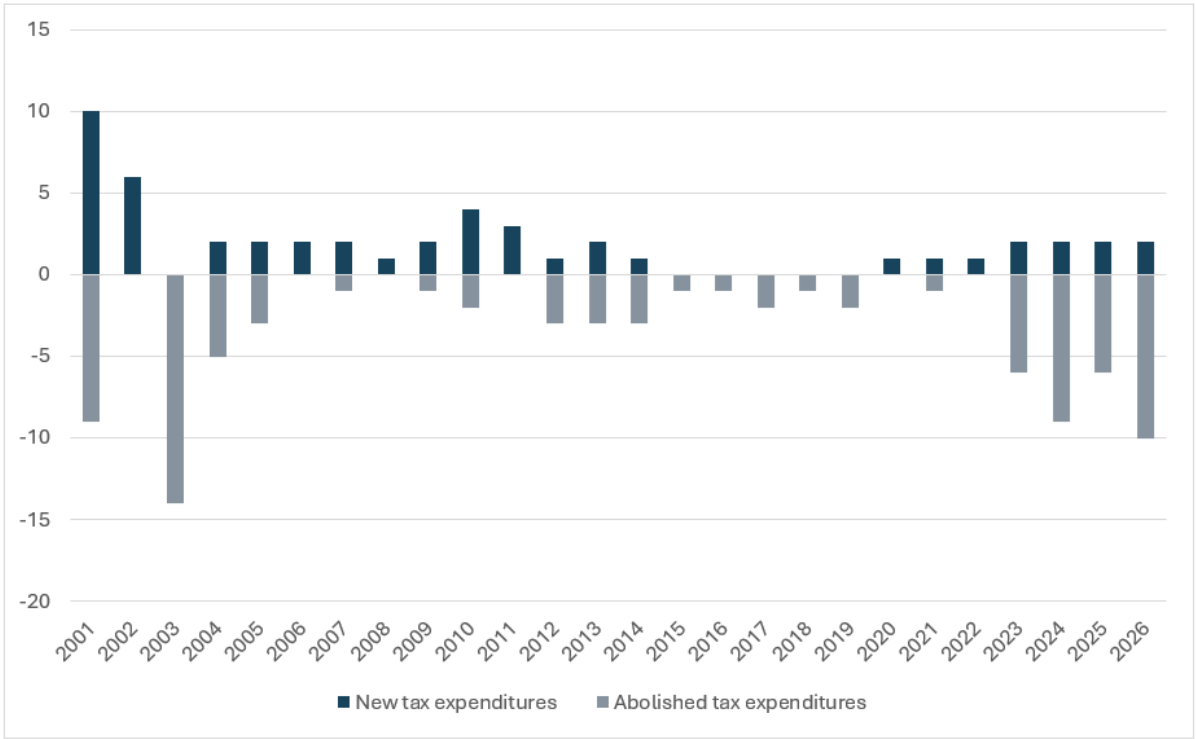
In practice, adjusting or abolishing TEs – even if beneficial for simplifying the tax system – proves challenging. However, in recent years we have seen, in part due to budgetary pressures, an uptick in reforming and abolishing different tax measures. The announcement in the latest budget proposal to abolish 9 TEs provides an illustration (Figure 3).

Figure 2. Overview of evaluation outcomes (frequency)



Source: Bijlagen bij Miljoenennota. Ministerie van Financiën – Rijksoverheid. https://www.rijksfinancien.nl/miljoenennota/2027/bijlage?phase=OWB

Figure 3. Overview of abolished and new tax expenditures, by year



Source: Bijlagen bij Miljoenennota. Ministerie van Financiën – Rijksoverheid. https://www.rijksfinancien.nl/miljoenennota/2027/bijlage?phase=OWB

Five years of tax expenditure development in Indonesia: from transparency to evaluation

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Indonesia has published a Tax Expenditure Report (TER) every year since 2018. Over the five years covered by reporting, the TER has evolved in three respects: its preparation has become embedded in the budget process, its estimates rest on better data and clearer definitions, and its focus has begun to shift from measuring revenue forgone to assessing what that revenue delivers. This chapter documents each change and the agenda that follows from it.

From publication to institutionalised transparency

The TER is now a routine output of fiscal governance, prepared jointly by the Ministry of Finance units responsible for economic and fiscal strategy, taxation, and customs and excise, with support from international partners. It is regularly reviewed by the Audit Board of the Republic of Indonesia (BPK). Minister of Finance Decree No. 619/2020 and State Finance Law require the report to be submitted to Parliament with the Financial Note, which places tax expenditures (TEs) in the same accountability cycle as direct spending. The latest edition covers 152 TE measures.

This progress is also documented in external assessments. BPK's Fiscal Transparency Review, which applies the IMF Fiscal Transparency Code, rates the TER as "Advanced", reflecting its move from reporting aggregate amounts to documenting coverage, methodology, and evaluation. Indonesia's progress is also shown in the Global Tax Expenditures Transparency Index (GTETI), where it ranked 15th when the index was first released in 2023, second in 2024 and 2025, and first among 116 countries in version 2.1, released in May 2026, with a score of 79.9 out of 100. This places Indonesia alongside countries with well-established TE reporting practices. The five different dimension scores of the GTETI also indicate the way forward: Indonesia performs strongly on methodology, coverage, and public availability, while the assessment of TEs in particular still offers room for improvement.

Improving the quality of information and estimates

Alongside the institutionalisation of reporting, Indonesia has continued to improve the quality of its TE cost estimates. The estimation method depends on the design of each measure and on the available data; and includes direct, comparative, and proxy approaches. Administrative tax and customs records are increasingly combined with macroeconomic and statistical data. Each measure is documented in a standardised "TE Passport" that provides information on the legal basis, sector, beneficiary group, estimation method, level of accuracy, and projection method.

Revenue forgone from TEs is estimated at IDR 400.1 trillion in 2024, or 1.81 percent of GDP, and at IDR 530.3 trillion in 2025, or about 2.23 percent of GDP. Most of it arises from VAT and luxury goods sales tax provisions. More than 70 percent of the 2025 total, about IDR 389 trillion, accrues to households and to micro, small, and medium enterprises (MSMEs), mainly through relief on basic necessities, education, health, and transportation.

Improvements in estimation have also been accompanied by efforts to clarify which measures qualify as TEs. Under Government Accounting Standard No. 18 of 2024, government-borne tax (DTP) facilities are not classified as TE and are reported separately in the TER. Efforts to improve the report have therefore also considered other relevant regulations, ensuring consistency between the TER and the broader regulatory framework in Indonesia.

From transparency to evaluation

Beyond improving transparency and the quality of estimates, Indonesia has increasingly used the TER to assess the effectiveness of TE provisions. Since 2019, each report has summarised evaluations of selected TE provisions, such as those for the electric vehicle ecosystem, with the 2024 edition bringing the cumulative total to 21 studies. The methods have broadened over time, from descriptive and input-output analysis to econometric estimation, micro and macro simulation, field surveys, and in-depth interviews.

By making the size and distribution of revenue forgone visible each year, the TER has broadened awareness of these measures among a wide range of stakeholders, including Parliament. Budget deliberations increasingly ask not only how much a given incentive costs but also what it contributes to the economy, as the discussion of the 2027 State Budget illustrates. This growing attention is itself a product of the report, and it underscores that the TER can contribute to the dissemination and outreach of evaluations that, ultimately, enhance evidence-based policy making in the field.

Next steps: from "how much?" to "what does it achieve?"

Five years of consistent reporting have laid the foundation; the task now is to optimise the use of the information in policy decisions. This will include the continuous improvement of the TE evaluation framework, as well as data and mechanisms for the redesign, extension, or termination of specific provisions.

Together, these steps serve a broader objective: to ensure that each TE is understood in terms of who benefits, what it achieves, and how its benefits compare with its fiscal cost. Building on its achievements in transparency, Indonesia aims to keep developing the TER into an important instrument that supports well-designed TEs, sound budget choices, and greater public confidence in fiscal policy. Realising this ambition will require coordination and collaboration among all parties, including ministries and agencies, parliament, academia, international partners, and initiatives such as the GTETI.





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